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FDA Writing Stronger Letters for Pharmaceutical Marketers

HEALTH CARE FOCUS ISSUE

PUBLIC RELATIONS
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August 1991 Vol. 47 No. 8

FEATURES

14 FDA Writing Tougher Rx For Pharmaceutical Marketing
With public interest in health-related stories growing, policymakers are refocusing on one of America's most highly regulated industries and its communications practices. Public relations practitioners and prescription drug marketers are responding with non-traditional approaches and image-building campaigns.
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Cover: *T. Hurley/FPG International*

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Assessing health care trends

The need for public relations professionals to address the strategic, crisis and issues management needs of health care providers has probably never been greater. In this "Health Care Focus Issue," we assess some of the current trends in the marketing of health-related services. Our cover story deals with the marketing of prescription drugs using both traditional and non-traditional public relations techniques. Author Marilyn L. Castaldi has concentrated on the era of "re-regulation" of industry practices by the Food and Drug Administration and Congress. She touches on the delicate balance between the public's appetite for health care news and the need for pharmaceutical marketers to present accurate information to physicians, the media, patients and the public.

A related case study reports Sandoz Pharmaceuticals' two-year-long fight to get acceptance from doctors, pharmacists, insurers and regulators for a drug which can greatly benefit certain mentally ill patients. At issue was the high cost of monitoring patients for a potentially fatal side effect and the changes the monitoring system required in traditional drug distribution. The issue of permitting terminally ill patients access to experimental drugs and treatments is also addressed.

A Phoenix hospital's efforts to attract media attention as well as improve relations between physicians and the media is detailed in one of several other case studies in this section. The story highlights a growing controversy between some physicians and journalists about the peer-review method of publishing medical research before releasing it to the public. Some say this delays medical advances an unnecessarily long time, while supporters of the system maintain it is prudent to delay powerful drugs and other treatments until they are thoroughly tested.

Another recent case study profiles an award-winning program that encouraged men to be screened for prostate cancer. Part of a national cancer awareness project, the screening effort by a New Mexico hospital attracted 10% of all those examined.

An account of the repositioning of a 100-year-old hospital as a sophisticated 21st century medical center rounds out our health care case studies.

There are other important issues in health care that deserve attention. In particular, there is the ongoing debate about a national health insurance plan for the United States. The problem of taxing non-profit hospitals on the local and state levels is also plaguing practitioners in many areas. We plan to cover these and other important health care topics as time and space permit in the future.

Susan L. Fry, Editor

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BRIEFINGS

EDITED BY ADAM SHELL

The race to manage environmental risk is on

Corporate "leaders" cited for proactive programs

So far in the "Decade of the Environment," a handful of companies have jumped out to a big lead, leaving the rest of the pack to play catch up.

Despite data that shows that effective environmental programs enhance public image, reduce compliance costs and boost the bottom line, most companies still have fledgling risk management programs.

In fact, one out of four companies don't even have an environmental policy in writing. And of the 75% that do, half of those programs are virtually brand new, having been established since 1989.

These are just a few of the findings from a survey, "Corporate Environmental Management," conducted by Booz-Allen & Hamilton, a management and technology consulting firm based in Bethesda, MD.

Most of the executives from the 200 Fortune 500 companies who responded to the survey acknowledged that they're not managing risk very well. They also admitted that they must do a better job in the future.

Indeed, only 7% of the executives said they felt "very comfortable that the environmental issues their company faces are well-understood and that a comprehensive risk management strategy is in place to deal with them," according to the study. Of responding companies, 91% have sales over $500 million.

Most policies driven by threat

Today, companies are developing environmental programs to deal with issues such as complying with new and changing regulations, and marketing environmentally friendly products. But the study concluded that these programs have shown only "mixed performance," mainly because they are "reactive," not proactive. Most programs, for example, focus on achieving compliance, cleaning up abandoned sites, and minimizing known liabilities.

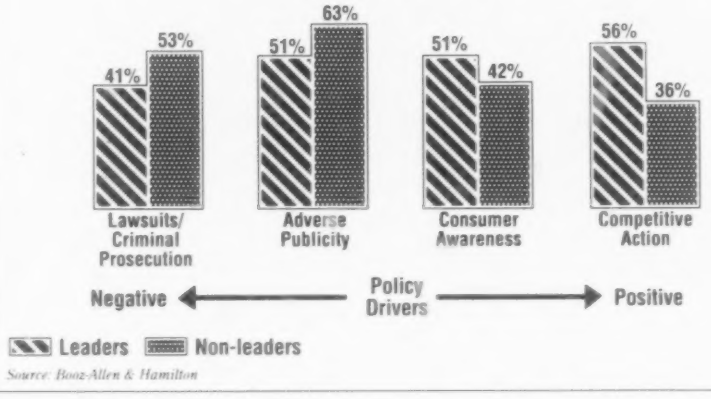
"In most companies, environmental policy is driven by threat rather than opportunity," the study found. Negative concerns such as the fear of fines, lawsuits and bad press motivate most policy development.

That's not the case for the minority of companies with comprehensive risk management programs. Described as "leaders" in the survey, these companies' "proactive" programs are "driven by opportunities that environmental trends can create for competitive advantage," according to the study. These leading corporations have also been more successful in dealing with the long-term strategic issues created by the "green" movement.

To help shape favorable public opinion and regulations, the leading companies are also investing more money in public relations in

Managing environmental risks

In most companies, environmental policy is driven by threat, rather than opportunity.



Source: Booz-Allen & Hamilton

"Green" topics color annual reports

The "greening" of annual reports has begun, albeit gradually.

A growing number of companies are devoting more editorial space in their annual reports to discussing their environmental performance and concerns. Many annual reports, though, still don't contain any environmental coverage at all.

These are two findings of "Corporate Annual Reports and the Environment," a survey conducted by *Green MarketAlert*, a Bethlehem, CT, newsletter that analyzes the business impacts of "green" consumerism. Survey results were published in the June issue of the newsletter.

Survey grades coverage

The survey analyzed the 1989 and 1990 books of 50 major U.S. corporations only for the extent of their environmental coverage. The analysis did not measure accuracy of the reports or the companies' actual environmental performance. Corporations were rated on a scale of 1 to 12, with 12 being an "A" and 1 being an "F."

The survey found that coverage of the environment in annual reports is increasing, but at a modest rate. In 1989, the average grade was a "C–." In 1990, the average grade climbed by over half a point, to midway between a "C–" and a "C." Between 1989 and 1990, 23 of the 50 companies surveyed increased their environmental coverage; 13 corporations cut back on coverage.

"A long way to go"

"Corporations clearly have a long way to go before environmental issues become truly central on their agendas," noted Carl Frankel, editor and publisher of *Green MarketAlert*. "But the survey shows that this process has begun."

Other key survey findings include:

- Food, beverage and other consum-

an attempt to tell their environmental story to consumers, regulators, environmentalists and the media.

"Effective public relations is inseparable from a successful environmental program," the study concluded. "Companies need to develop and execute a publicity strategy to promote opportunities and moderate risk concerns. Companies that visibily demonstrate their environmental achievements... stand to gain improved relations with all their publics."

Establishing sound relations with these vital publics, for example, could mean the difference between success and failure when trying to gain approval for the siting of a controversial facility, according to the study. Being perceived as an environmentally friendly company can also improve relations with buyers, thus increasing sales.

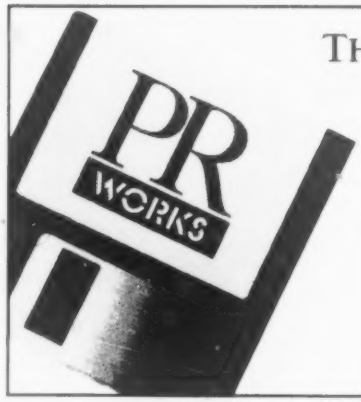
How to become a leader

Since environmental issues now affect virtually all major business activities, companies must gain support from all their employees. This means that environmental management "must become a valued belief within the corporate culture," the study concluded. Ensuring that employees feel accountable for their actions, however, requires some degree of cultural change. Thus, environmental issues must be incorporated into a company's strategic plan.

That's another area where public relations comes in. "Such integration," the study concluded, "...involves adding an environmental expert to the marketing or public relations staff." □

er product companies lag far behind other industries in the amount of editorial ink devoted specifically to the environment.

- Consumer goods companies earned a "D–" rating in 1989 and a "D+" in 1990. Eleven out of 15 annual reports in this category did not mention the environment. The newsletter predicted, however, that as green consumerism gains more momentum, these companies will devote more space in their reports to green issues.
- Oil companies provide by far the most extensive coverage of environmental issues, mainly due to the backlash of the Exxon Valdez oil spill.
- Approximately 30% of annual reports refer to environmental topics in the chairman's Letter to Shareholders.
- About 20% of annual reports have special sections dedicated to the environment. □



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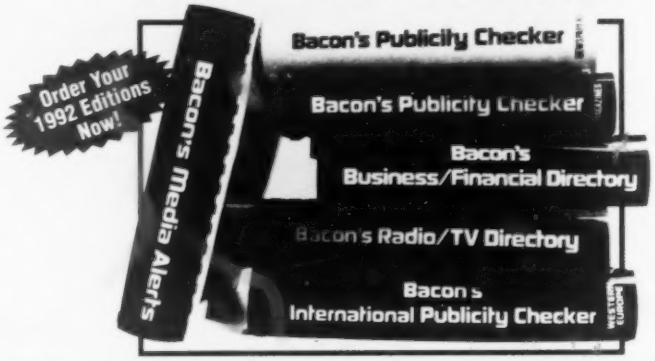

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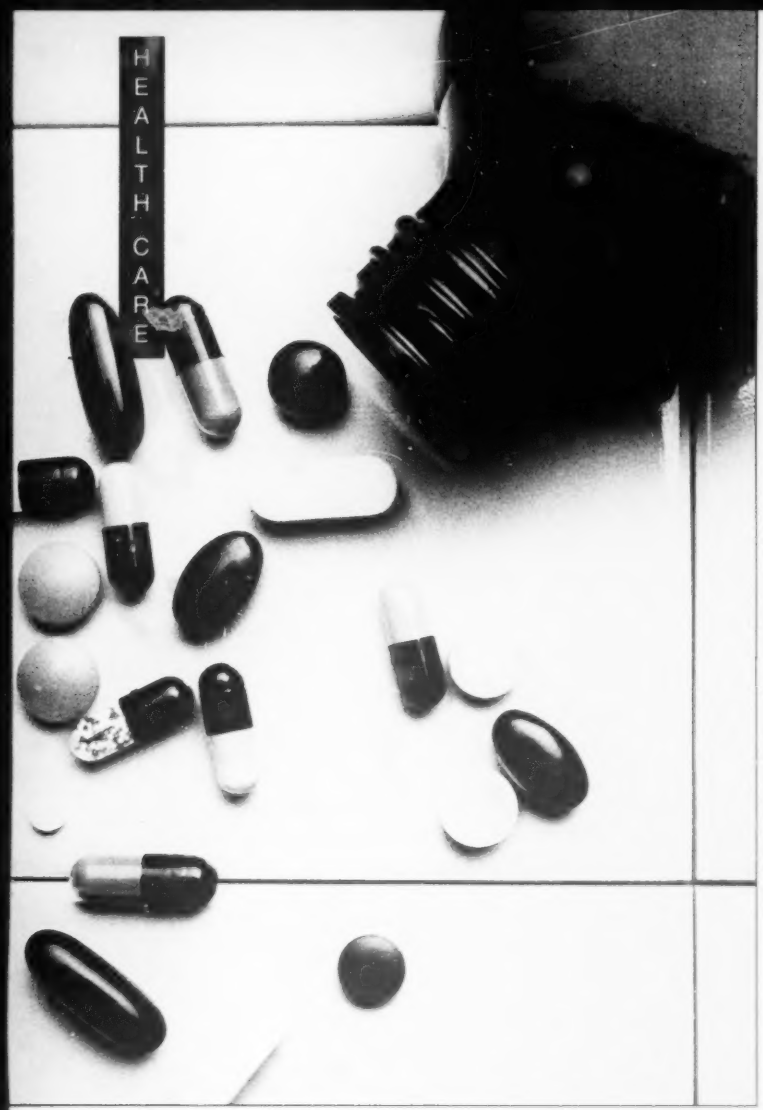


FDA Writing Tougher Rx For Pharmaceutical Marketing

Congress and the FDA are beefing up already-tough rules on U.S. marketing of prescription drugs. One result of this renewed scrutiny is a flurry of self-regulation in the drug manufacturing and medical communities. Non-traditional forms of drug marketing often take news of products directly to the non-professional media as well as end users.

Marilyn L. Castaldi

The health care industry is evolving at lightning speed. At the forefront are changes affecting one of its core segments: the pharmaceutical companies. Each day's news adds another wrinkle to the face of drug marketing...or, more aptly, drug marketers.

At this moment, public policymakers in Congress and the Food and Drug Administration (FDA) are refocusing on an industry that is already one of the most highly regulated in the United States. They are scrutinizing the communications practices of pharmaceutical companies and pledging even tougher legal enforcement.

The industry *is* responding. Last December, the Pharmaceutical Manufacturers Association (PMA) and the American Medical Association (AMA) adopted a voluntary code on the appropriate relationship between the industry and physicians. Sen. Edward M. Kennedy, D-MA, in a reprise of his 1970's Senate Labor and Human Resources Committee hearings on drug promotion, has asked major drug firms to provide data detailing industry compliance with the PMA and AMA codes and changes in industry practices during 1991.

Companies are taking this renewed focus on regulation seriously. "We've always had extensive medical-legal review procedures," said David Stout, vice president of marketing, Schering Laboratories, Kenilworth, NJ. "But in the past year it's become exhaustive, with a double level of review for each area: medical, legal and regulatory."

Needed: new marketing solutions

Without question, a new age of pharmaceutical marketing has begun. Drug marketers, challenged as never before by the FDA over their marketing communications, are formulating new strategies. They're also second-guessing their own promotions in a high-profile environment where much regulation, but few firm rules, exist. The solutions that many companies arrive at often lead to success not only in marketing their products but also in building overall corporate image.

Admittedly, the stakes are high in the pharmaceutical business. Drug issues lead the list of blue-chip investments. And for good reason. The top 10 prescription drugs generated more than $34 billion in worldwide sales in 1990.

Effective marketing of even a single prescription drug can dramatically affect the long-term fortunes of a pharmaceutical company in more ways than one. Merck, for example, was once a medium-sized New Jersey drug company hardly distinguished from the pack. Launch of its cardiovascular ACE-inhibitor Vasotec® (1990 U.S. sales: $1.43 billion) highlighted the chain of marketing successes that have helped make Merck *Fortune's* most-admired U.S. company – in any industry – for five years straight. Similarly, Glaxo was a little-known British-based company before its ulcer medication Zantac®, with 1990 U.S. sales of more than $1.3 billion, became the most-prescribed drug in America, surpassing SmithKline's Tagamet®. On the other hand, SmithKline became ripe for takeover by

Photo: Lou Jones/The Image Bank

British-owned Beecham only after its first-to-market breakthrough Tagamet faltered.

"Non-traditional" approaches tried

In 1962, Congress gave the FDA jurisdiction over prescription drug advertising. FDA regulations require accuracy and balance in this advertising. The FDA defines advertising as all traditional types of direct-to-physician communications, such as ads in medical journals, direct mail, materials "detailed" to physicians by sales reps, medical symposia or teleconferences.

In the past decade, however, traditional communications were only part of the marketing mix. The stream of breakthrough or blockbuster drugs slowed to a trickle and a host of other issues intensified pharmaceutical competition. Companies began to experiment with more "non-traditional" techniques to help differentiate themselves and their products. These activities used public relations techniques not only to target physicians but also to build consumer awareness of prescription drugs. Press conferences, media tours, video news releases, media coverage of scientific symposia and drug research discussions with investment analysts all helped spur the broad coverage of health science topics throughout the American media.

According to the National Media Index, health stories consistently rank in the top 10 among topics covered by national news. An average of one out of every 20 minutes of television time is spent on health coverage each year. And one out of every 20 inches of newspaper space is devoted to health topics. The American public – increasingly proactive about its own health care – craves health-related news.

"There's tremendous demand for stories about health simply because people are concerned with feeling good and living better," said Abby Rockmore, a producer at "20/20," the ABC-TV weekly news show. "Medical stories are an important part of our programming and are always well-received."

Drug companies and their public relations firms have willingly answered this growing demand for prescription drug information. The vast majority of their materials comply fully with FDA requirements that apply to prescription drug advertising. Some campaigns, however, caused the FDA concern, so the agency began to define informally the use of public relations techniques for prescription drugs. Companies sought to comply with evolving FDA attitudes and, for the most part, have been successful.

In 1990, the FDA got new leadership with a special interest in prescription drug communications. Dr. David A. Kessler, the agency's aggressive new commissioner, has beefed up staff and charged them to scrutinize drug company communications.

In a speech this past June before the non-profit Drug Information Association (DIA), Commissioner Kessler spelled out his position. He reiterated the agency's guidelines for industry: "...the three principal requirements of drug advertising and promotions: That they be true and not misleading, provide 'fair balance' [Editor's note: present both a drug's benefits and side effects], and do not promote unapproved uses.

"Selected promotional practices, to be blunt, have gotten out of hand," Kessler told the DIA audience. "Promotion in the guise of scientific exchange" is of particular concern, he said. Kessler promised more specific definition of policy later this year regarding scientific educational activities.

In targeting scientific exchange – the exchange of information among medical peers – Kessler hit at the core of both medical education and drug marketing. To advance medical knowledge, the medical/regulatory community has encouraged physicians to share information gleaned from their own work and experience. At medical meetings, clinical investigators regularly discuss research in progress. These forums provide medical opinion leaders with early information on new drugs under development or new uses being investigated for drugs already on the market. In doing so, they also serve the public's need to keep informed about medical progress.

"Drug marketers are second-guessing their own promotions in a high-profile environment where few firm rules exist"

To come: less drug specificity

Pharmaceutical companies will certainly continue to educate physicians via "traditional" vehicles, such as detailing visits by sales representatives, direct mail, medical journal advertising or programs at medical conferences.

"Until a formal education process exists to teach physicians about drugs, we will continue to create scientific programs to enable them to make sound prescribing decisions," said Schering's Stout. Medical schools do not currently provide this type of education, he explained. He emphasized the ethical backdrop of Scherings' educational efforts. "Of course, we want to be sure physicians prescribe our drugs in the appropriate settings. But we want doctors to use our products in a rational way, as first line, second line or combination therapy, as demonstrated by science."

What may change is how drug-specific information is communicated or the nature of programs funded by pharmaceutical companies. Specificity in naming prescription drugs in consumer-directed public relations programs is now likely to be subject to greater scrutiny. For example, media tours, which book interviews for physicians to discuss particular health conditions and often allow opportunities for specific drug recommendations, may now come into question. Self-contained videos, in the form of VNRs or B-roll footage, have come under significant fire in recent months.

Alternative tactics can work

Rarely do drug marketers have the benefit of announcing a breakthrough drug. More typically, they must find ways to introduce products with complex advantages to an already cluttered marketplace. How will they fare in this age of re-regulation? Very well, if they follow the pattern of the many companies which have successfully marketed their drugs through non-brand-specific programs.

Their success has often involved one of two broad approaches: category development, for example, building awareness of specific diseases or therapeutic categories through public education programs; or value-added activities that enhance corporate image and equity. Both approaches typically help drug manufacturers enhance their relationships with key audiences to whom they regularly market their products, such as physicians, pharmacists or other allied health professionals.

Many of the public education or consumer health campaigns in our society are initiated, driven, funded, sponsored and organized by drug marketers. Osteoporosis, breast cancer and prostate cancer are examples of three conditions – once largely ignored – about which pharmaceutical companies have helped educate the American public. Osteoporosis, a condition characterized by decrease in bone mass, was not thought of as serious before American Home Products and its Wyeth-Ayerst subsidiary undertook to help define the condition and point up its risks to women. Similarly, in separate efforts 10 years apart, ICI Stuart and Schering-Plough mounted major physician/consumer education programs to encourage early detection of breast cancer (National Breast Cancer Awareness Week) and prostate cancer (Prostate Cancer Awareness Week), respectively. Both of these programs continue. *(See sidebar, page 20.)*

Campaigns such as these help condition the marketplace, according to Larry

Drug execs predict greater role for public relations

Despite tighter FDA regulation and media criticism of drug promotions, pharmaceutical executives say public relations will continue to be an effective means to deliver health care information to consumers.

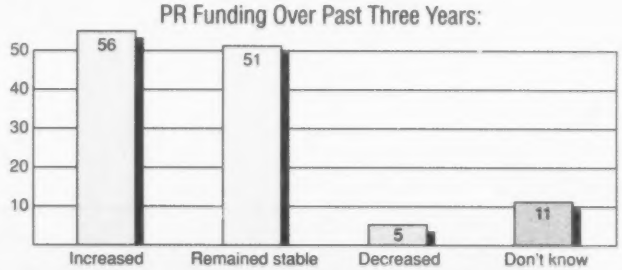
This is one key finding of a survey conducted by Wang Associates, a New York City-based public relations firm specializing in health care. The survey results were released in March and published in that month's issue of *Pharmaceutical Executive*, an industry trade magazine. The survey was mailed to 2,160 subscribers to the magazine; 135 responded.

"It's clear from this survey that the use of public relations in promoting pharmaceutical products will continue to increase," commented Julie Wang, president, Wang Associates. "Public relations is unique in its ability to reach consumers directly with educational and promotional messages."

The survey was prompted in part by the FDA's growing concern over questionable public relations tactics that directly target consumers rather than medical professionals. Criticism has also come from the news media. In the past 12 months, reports by "60 Minutes" and *The Wall Street Journal* argued that the use of celebrity spokespersons and video news releases amounts to little more than one-sided promotion that misleads the public.

But despite the controversy, survey findings indicate that the future appears to be bright for public relations. Survey highlights include:

- One out of four respondents reported an increase in internal public relations staff; 60% reported no change in staffing levels.
- Forty percent of pharmaceutical executives feel public relations is "underused."
- One-third of the respondents (34%) reported an increase in their use of outside public relations firms.
- Public relations is rising as a percentage of the marketing budget, ranging from 15% to more than 25% of the total.
- Twelve percent of respondents reported public relations budgets of $500,000 or more.
- Providing marketing support is the most popular reason for using outside public relations firms, followed by corporate image enhancement, government relations and strategic counsel. Seventy percent of the executives surveyed said their firms are hired for marketing purposes.
- In order of importance, the criteria used to select an outside firm are: proven results, marketing savvy, health care specialization, reputation, personal rapport, account service and media contacts.
- Many respondents feel that "integrity" and "trust" are essential if pharmaceutical companies are to maintain a good rapport with their publics.
- The practice of hiring former journalists has "virtually halted." Today, most public relations professionals hired by pharmaceutical companies have backgrounds in corporate and firm public relations.
- The use of research to define public relations objectives and messages is on the rise.
- Most executives acknowledged that the industry's use of public relations will be subject to some form of regulation in the future.□



Since 1988, spending on public relations at almost half of the responding pharmaceutical companies (56 out of 123) has increased.

Wheeler, vice president, communications, Marion Merrell Dow, Kansas City, MO. "Our programs can help sensitize a group of patients, pharmacists or physicians for the ultimate 'sales call' that will be made on them. Our messages reinforce or lay the groundwork for other marketing approaches," he said.

Marion Merrell Dow was one of the first companies to successfully integrate direct-to-consumer advertising into its marketing plans. Two Marion Merrell Dow prescription products, Nicorette® nicotine gum and the non-sedating antihistamine Seldane®, are currently running direct-to-consumer ads which were cleared in advance with the FDA.

Campaigns produce "halo effect"

Corporate image programs can similarly help condition a market to be receptive to new drug therapies. Image campaigns invest a pharmaceutical company's name with equity that carries over to the drugs it manufactures. Differentiating a company helps to distinguish its products in the crowded, often duplicative, pharmaceutical marketplace. For example, Glaxo was a relative newcomer to the U.S. market when it embarked on its now widely acknowledged Pathway Evaluation Program. Executed through medical schools across the country, the program assists third-year medical students in choosing a medical specialty. The program has allowed Glaxo to form strategic alliances with medical educators and opinion leaders. This medical community visibility is valuable for a company with many important drugs in its research pipeline.

"'Non-traditional marketing' uses public relations tactics not only to target physicians but to build consumer awareness"

Miles, better known as an over-the-counter drug marketer, also had many prescription drugs in development and needed to bolster its credibility. A comprehensive program designed to foster physician/patient communications launched an extensive corporate image program that has reached thousands of physicians around the country. Because of the link between inadequate communication and malpractice, some states have offered physicians attending special Miles communications workshops a discount on malpractice premiums.

Continued on page 19

disseminating information and discussing the symposium with health reporters nationally, the public relations team hoped to create a dialogue that would form the basis of ongoing communications.

The primary publicity vehicles for the symposium were direct mail pieces that were sent to health care reporters and freelance health writers. A postcard sent out five months prior to the symposium got the event on reporters' calendars. A second mailing was done in late February, one month before the event. It was a poster-sized invitation with striking graphics and more detailed information. Both mailings prominently featured St. Joseph's as the event sponsor and contained information on the BNI neurosciences program. In addition, the hospital communications department prepared a media guide on hospital programs for distribution to reporters during and after the symposium.

The mailings were supplemented by a media alert a week before the event and phone calls to reporters from the public relations team. While many reporters could not attend because of schedule conflicts or restricted news budgets due to the Persian Gulf War, almost all expressed interest. Many requested transcripts of the roundtable and follow-up information.

"The symposium shows the power of public relations to bring disparate groups together for the public good"

With a national audience in mind, organizers made arrangements to have the proceedings transcribed and distributed. The public relations team worked with Altman and BNI physicians to shape a discussion that would be of genuine value to the medical and journalism communities and spark an ongoing dialogue.

Peer review debated

An audience of physicians and reporters at the Marriott Camelback Inn in Scottsdale heard a lively debate that centered on the merits of peer review, a system in which doctors and researchers submit research findings to medical journals for publication before releasing them to the public. This process, the primary way that new medical information is released in the United States, is under increasing scrutiny because promising treatments may be delayed for months, or even years. Some journalists have been particularly critical of the process.

Both physicians and journalists questioned the validity of a system that may keep new treatment information away from the public for unnecessary lengths of time. Panelists noted the power of a few prestigious medical journals to control the dissemination of crucial new findings. Physician panelists observed that careerism sometimes motivates physicians to want to publish in a few prestigious journals, but noted that concern for validity in research findings was also a motivating factor.

Patten of the *Phoenix Gazette* said that journalists are sometimes at fault in perpetuating this system since they rarely look for news in lesser-known medical journals. Altman agreed with him, suggesting that researchers should look at other avenues for releasing medical news, including medical meetings. Both groups agreed that the peer review system was not without merit, but should be seriously examined for ways to improve the time lapse between new discoveries and the reporting of medical news.

Proceeding results to reverberate

Transcripts of the proceedings and a news release summarizing the major points of the roundtable discussion were sent to medical writers and editors nationally. In addition to immediate placements in regional newspapers and health and journalism trades, the discussion promises to surface in media outlets in the months ahead when journalists tackle the subject of peer review in medical news.

In addition, the fruits of the interaction between the participants and senior hospital management are already apparent: stories on the hospital's innovative flexible benefits program are scheduled to appear in major health trades. One of these articles is a direct result of a conversation between a roundtable reporter and the hospital's human resources vice president.

Aside from demonstrating that news can emanate from the Valley of the Sun as easily as the spires of Manhattan, the symposium showed the power of public relations to bring disparate groups together for the public good. "Many ethical issues arise in the treatment of neurological disorders, so we felt it was particularly appropriate for the Barrow Neurological Institute and St. Joseph's Hospital to host this forum," said Spetzler of BNI. "Ultimately, we hope that the public will benefit from cooperation between doctors and the press on these important issues."

Linda Bentheim is director of communications, St. Joseph's Hospital and Medical Center, Phoenix, AZ. Nancy Hicks, APR, is vice president, Hill and Knowlton, Inc., Atlanta, GA.

"The Miles Physician/Patient Communications Program has afforded our sales force access to difficult-to-see physicians," said Gerry Rosenberg, senior vice president, marketing and sales, Miles Inc. Pharmaceutical Division, Elkhart, IN. "There also seems to be a trend toward increased market share in those areas where a significant number of workshops were conducted."

Conflicting forces remain

Marketing of pharmaceuticals remains challenging, given the many issues and stakeholders pervading the health care industry today. Even when a company has a truly breakthrough drug, it can confront significant regulatory challenges. Witness Clozaril®, Sandoz Pharmaceuticals' drug for treatment-resistant schizophrenia, launched in this country in 1989. Sandoz, based in East Hanover, NJ, weathered a two-year-long storm regarding cost and access to the highly potent drug, which requires weekly blood monitoring to assure safety. *(See sidebar, page 17.)* Pharmacist and physician organizations, consumer advocacy groups, and patients and their families all exerted pressure that induced the company and government regulators to negotiate a change in the drug's distribution system.

"Significant advances in medicine, such as a new technology or breakthrough compound, invariably cause people to re-evaluate traditional methods and approaches," said William J. O'Donnell, Sandoz's associate director for communications and public relations.

"With Clozaril, the tremendous potential for clinical benefit necessitated a new approach that maintained the traditional commitment to patient safety but challenged other traditional practices. The marketplace reacted to this new approach.

The changes that were made to the original blood monitoring and drug distribution system reflect a normal reaction on the part of society to adapt to a new approach. In the long run, it may turn out that Clozaril has played a ground-breaking role for the introduction of other therapeutically important, but high-risk, pharmaceuticals because of Sandoz's willingness to try a new approach and then listen and adapt to the needs of its customers," he explained.

Marilyn L. Castaldi is an executive vice president and managing director, health care, in Burson-Marsteller's New York City office. She has managed pharmaceutical business at Burson since 1984, and previously worked in corporate positions at Johnson & Johnson and Avon Products and as public relations director for the Hospital of the University of Pennsylvania.

Corporate strategy

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change the way companies operate?

The final step is to rethink everything. Is the company on the right track? Does what you've learned suggest a new direction? How should the company's strategy be changed to fit the market and its position in that market? How should the company be communicating with its customers, its suppliers, its employees and the public?

This process may seem obvious, however, few companies go through these steps systematically. Some top managers think it isn't worth the effort. Some may not know how to get the information they need.

Collect competitive intelligence

To answer many of the questions involved in strategic communication, we need competitive intelligence. This is the raw material for analyzing an industry and the competitors within it. Nearly all of the information is available from public sources, such as annual reports, 10K reports, electronic databases and the trade press.

One of the most useful sources is newspapers in cities or towns where competitors have major plants or offices. Information that isn't available from public sources can often be acquired from internal sources. The sales force may be the best source of all. *(See table, page 32.)*

It soon becomes clear that the main problem is not too little information, but too much. The trick is to pick up pieces of data that might have strategic importance. The most successful intelligence effort is not the one that yields the greatest quantity of information but the one that yields insights of the highest quality.

It's hard to anticipate what kind of information will affect the communications program. But crucial questions will eventually emerge. For example, why did Competitor A stop talking about its products and start talking about its superior service? Is this an industry trend? Why did Competitor B double its R&D budget in its frozen food division? Are they on to something new? How will this affect our strategy? Competitor C has launched a large environmental protection program. What does that mean?

From information to understanding

At first glance, it seems that the main purpose of collecting and analyzing this kind of information is to be able to predict what competitors will do and to prepare the appropriate countermove. That's certainly one way to use the information. But a more profound purpose of analyzing competitive information may be to understand our own (or our client's) organization better.

These are the types of questions we may be able to answer: What are competitors doing that we should be doing? Why do some competitors get much better information from the sales force than we do? Why does their message seem so much clearer than ours? How do they get so much ink?

In reviewing communications data for your company and the competition, you'll probably find that some competitors have clearly articulated strategies. On the other hand, you may find several companies that have very confused stories. This can happen because the managers haven't had the courage to articulate a clear strategy. Or they may have a story to tell, with plenty of evidence, but they've concealed it in jargon and cliché. Another possibility is that they've tried to be all things to all markets.

Companies with confused stories are vulnerable. The way to outperform them is to zero in on your client's or your firm's competitive advantage. That's the center of the communications strategy.

Every company has one story and one story only: *This is how we serve our customers, this is what makes us different.* For the communication strategist, the problem is to extract that story from a bewildering mass of data.

David R. Drobis, APR, is president of Ketchum Public Relations in New York City. His firm is a unit of Ketchum Communications Inc., headquartered in Pittsburgh, PA.

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Taking corporate strategy seriously

David R. Drobis, APR

Strategy is the art of the chief executive officer. Strategy isn't just a gambit, a ploy or a maneuver. It's a grand plan for winning the long war against the competition. It should be at the center of every corporate communications program.

We in public relations firms and our counterparts in corporations can significantly increase our contribution to the corporate effort by making strategy part of our repertory of services and by showing corporations how to be more competitive.

This means that we'll have to develop a kind of peripheral vision. We'll have to become expert at collecting and analyzing competitive intelligence. We'll have to ask the right questions and supply answers that have strategic value. We'll have to focus on strategy as a way of thinking about communication problems.

Look at the present strategy

The strategic planning process begins by surveying the existing situation. Questions to ask include: How does the company see itself in the market, the territory populated by customers and competitors? What does the company's strategy seem to be? Is there an explicit statement of strategy? Does it make sense? Does it concur with the reality of the marketplace?

Every company has a competitive strategy, whether the managers are aware of it or not. Without any guidance from the CEO or the CEO's lieutenants, the frontline departments will form some sort of impression of the competitive forces in the industry and work out a mode of operation. But these independent modes of operation are unlikely to add up to an effective strategy.

A company's strategy is usually evident in its public statements, such as its annual report, product announcements, promotional materials and advertising. Critics often dismiss these as elaborate euphemisms. And they may be exactly that. But a company's euphemisms can reveal its strengths and weaknesses. A competitive strategy eventually has to deal with both.

These days, practically every company claims to be global, dedicated to quality and customer-oriented. But such claims have no strategic value unless the company is really doing something different.

Look at the industry

The next step is to examine the environment the company is operating in. What are the industry's problems and opportunities? What does it take to be successful?

These questions lead to others about the competition. Who are the leading players? What are their apparent strategies? What are their strengths and weaknesses? How does the client company stack up? Are the leaders moving in a new direction – toward new kinds of markets, new kinds of products and services or new technologies to improve productivity?

It's also important to be aware of outside forces. Is the industry attracting the attention of government regulators? How will this

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Competitive Information Sources Rated Very or Fairly Important
(by type of market)

	Percent Distribution			
	Total	Industrial products	Consumer products	Consumer and industrial
Sources within the company				
Sales force	96%	97%	89%	96%
Marketing research staff	83	82	82	84
Analysis of competitors' products	81	81	79	83
Planning staff	63	57	65	71
Engineering staff	53	60	36	55
Former employees of competitors	49	53	36	53
Purchasing staff	42	41	44	43
Contacts within the trade				
Customers	92	96	83	92
Meetings, trade shows	74	79	62	74
Distributors	70	68	68	79
Suppliers	65	65	61	68
Trade associations	59	60	54	62
Consultants	43	44	45	40
Retailers	37	9	72	57
Competitors' employees	37	40	30	40
Ad agencies	24	7	48	34
Published information				
Industry periodicals	89	88	90	91
Companies' promotional materials	84	84	85	82
Companies' annual reports	77	78	76	77
Companies' 10K reports	74	79	71	69
Security analysts' reports	64	67	62	61
Financial periodicals	55	49	61	61
Speeches by managers	55	55	60	48
General business periodicals	54	49	57	61
National newspapers	43	45	49	49
Newspapers in cities where competitors have facilities	42	42	44	39
Directories (Standard & Poor's, etc.)	31	29	31	33
Government publications	26	25	27	28
Other sources				
Security analysts	40	42	33	42
Tracking services	38	32	48	42
Electronic databases	35	15	74	37
Investment banks	22	22	22	24
Court records	16	16	13	21
Want ads	15	18	8	15
Commercial banks	11	7	12	18
Number of responding companies	308	158	72	78

Source: Howard Sutton, Competitive Intelligence, *(New York: The Conference Board, Report 913, 1988)*